

STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

VILLAGE OF BARRYTON

MECOSTA COUNTY

February 28, 2005

Local Audit and Finance Division
Bureau of Local Government Services

VILLAGE OF BARRYTON

MECOSTA COUNTY

Richard Collins
President

Teresa Mortensen
Clerk

Donna Collins
Treasurer

VILLAGE COUNCIL

Barbara Doke
Steve Mortensen
Mark Pelong
Michael Vrbensky
Nancy Loll
Joel Vincent

VILLAGE POPULATION--2000
381

TAXABLE VALUATION--2005
\$5,215,737



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

June 8, 2005

Village Council
Village of Barryton
94 Angel Street
P.O. Box 31
Barryton, Michigan 49305-0031

Independent Auditor's Report

Dear Council Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Barryton, Mecosta County, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village of Barryton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note K, the village adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of March 1, 2004.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major

fund, and the aggregate remaining fund information of the Village of Barryton, as of February 28, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated June 8, 2005, on our consideration of the Village of Barryton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 4 and the Budgetary Comparisons for Major Funds in Exhibits H through K are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Barryton's basic financial statements. The accompanying supplementary information and schedules as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The individual statements of revenues and expenditures for the General Fund and combining statements related to the Fiduciary Funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

VILLAGE OF BARRYTON--MECOSTA COUNTY

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VILLAGE OF BARRYTON--MECOSTA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the village as a whole and present a longer-term view of the village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the village's operations in more detail than the government-wide financial statements.

The Village as a Whole

Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior year information is available, comparative analysis of village data will be presented. The net assets are summarized below.

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net or related debt) are considered restricted.

	Governmental Activities	Business-Type Activities	Total
	2005	2005	2005
Current Assets	\$ 193,022	\$ 283,862	\$ 476,884
Noncurrent Assets	101,562	1,771,198	1,872,760
Total Assets	294,584	2,055,060	2,349,644
Current Liabilities	9,013	1,776	10,789
Long-Term Liabilities		766,000	766,000
Total Liabilities	9,013	767,776	776,789
Net Assets			
Invested in Capital Assets--Net of Debt	101,562	1,005,198	1,106,760
Restricted	111,887	53,500	165,387
Unrestricted (Deficit)	72,122	228,586	300,708
Total Net Assets	\$ 285,571	\$ 1,287,284	\$ 1,572,855

VILLAGE OF BARRYTON--MECOSTA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current date, again, this is the first year of the village conversion to GASB No. 34 provisions.

	Governmental Activities	Business-Type Activities	Total
	2005	2005	2005
Program Revenues			
Charges for Services	\$ 119	\$ 122,837	\$ 122,956
Operating Grants and Contributions	32,249		32,249
Capital Grants and Contributions	14,000		14,000
General Revenues			
Property Taxes	44,412		44,412
State-Shared Revenues	36,568		36,568
Unrestricted Investment Earnings	9,777	6,272	16,049
Total Revenues	137,125	129,109	266,234
Program Expenses			
General Government	53,998		53,998
Public Safety	4,257		4,257
Public Works	21,597		21,597
Community and Economic Development	1,009		1,009
Recreation and Culture	2,834		2,834
Other	10,325		10,325
Water and Sewer		137,580	137,580
Total Expenses	94,020	137,580	231,600
Change in Net Assets	\$ 43,105	\$ (8,471)	\$ 34,634

VILLAGE OF BARRYTON--MECOSTA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The village's total governmental revenues increased \$8,990 and the expenditures increased by \$2,398 as follows:

	Governmental Activities 2003	Governmental Activities 2005	Amount Difference 2005
Revenues			
Taxes	\$ 39,973	\$ 44,412	\$ 4,439
Licenses and Permits	35	115	80
State Grants	68,049	68,517	468
Contributions From Local Units		14,000	14,000
Fines and Forfeits	5		(5)
Interest and Rentals	10,330	10,077	(253)
Other	9,742	3	(9,739)
Total Revenues	<u>128,134</u>	<u>137,124</u>	<u>8,990</u>
Expenses			
General Government	45,146	53,417	8,271
Public Safety	5,842	4,257	(1,585)
Public Works	56,771	52,386	(4,385)
Community and Economic Development	640	1,009	369
Recreation and Culture	10,218	2,212	(8,006)
Other	8,673	10,325	1,652
Capital Outlay	<u>200</u>	<u>6,282</u>	<u>6,082</u>
Total Expenses	<u>127,490</u>	<u>129,888</u>	<u>2,398</u>
Excess of Revenues Over Expenditures	<u>644</u>	<u>7,236</u>	<u>6,592</u>
Beginning Fund Balance	<u>143,585</u>	<u>117,060</u>	<u>(26,525)</u>
Ending Fund Balance	<u>\$ 144,229</u>	<u>\$ 124,296</u>	<u>\$ 6,592</u>

The tax revenue increased for the year as the village continues to have a growing tax base. While the millage has remained unchanged, the village has received additional revenue due to the growing tax base.

Revenues increased for the first time ever, a cooperative agreement between Fork Township and the village was reached to do a paving a project with the township contributing the \$14,000. The related public works expense was decreased as cooperation was also extended from the county to pave the road at the county's cost instead of hiring an independent contractor.

The other revenue category decreased as the village did not receive any housing rehabilitation lien payments from the CDBG loan recipients.

Business-Type Activities

The village's business-type activities consist of the Sewer and Solid Waste Fund. The village provides sewage treatment and garbage services to all of the village residents. The revenues and expenses of the sewer system and solid waste program remain virtually unchanged compared to the previous year.

VILLAGE OF BARRYTON--MECOSTA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village's Funds

Our analysis of the village's major funds are listed in the audit report, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the village as a whole. The village council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The village's major funds for 2005 include the General Fund, Major Street Fund, Local Street Fund, Housing Fund, Sewer Fund, and the Solid Waste Fund.

The General Fund pays for most of the village's governmental services. The most significant are for general government activities, which incurred expenses of approximately \$53,417 in 2005. These services are supported by the operating millage and State shared revenues. The street funds account for the resources of State gas and weight tax revenues that are restricted for use on major and local streets. The Housing Fund accounts for contributions reserved for the improvement of housing within the village. The sewer and solid waste fund are described above.

General Fund Budgetary Highlights

Over the course of the year, the village council amended the budget to take into account events during the year. The most significant change was to increase the estimated capital outlay and transfer activities for increases due to new mowers purchased and the amount appropriated to the Local Street Fund for the road project.

Capital Asset and Debt Administration

At the end of 2005, the village's governmental funds had \$101,562 invested in a broad range of capital assets, including land, buildings, equipment, and infrastructure, and \$1,771,198 invested in the sewer system. To pay for the sewer capital assets, the village entered into various debt obligations with a remaining balance of \$766,000. The remaining debt obligation is less than the prior year's amount because the village paid a sewer bond off 26 years early, saving the village and its residents \$18,900 in interest related costs.

Economic Factors and Next Year's Budgets and Rates

The village's 2006 budget will remain primarily the same as 2005, as the village will again be doing another paving project and no significant fluctuations in revenues or expenses are expected. The council is striving to achieve the most services it can provide to the village residents for road, park, and sewer improvements as the funding becomes available.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the village's finances and to show the village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the village's office at 94 Angel Street, Barryton, MI 49305 (Phone Number 989-382-7822).

VILLAGE OF BARRYTON--MECOSTA COUNTY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
February 28, 2005

EXHIBIT A

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 40,338	\$ 55,792	\$ 96,130
Investments	74,690	157,083	231,773
Receivables (Net)			
Taxes--Delinquent	822		822
Notes	59,712		59,712
Accounts		18,292	18,292
Interest		67	67
Internal Balances	872	(872)	-
Due From State	16,579		16,579
Inventory	9		9
Total Current Assets	193,022	230,362	423,384
Noncurrent Assets			
Restricted Cash		53,500	53,500
Capital Assets, Net of Accumulated Depreciation	101,562	1,771,198	1,872,760
Total Assets	294,584	2,055,060	2,349,644
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	2,633	1,681	4,314
Accrued Liabilities	6,230	95	6,325
Unearned Revenue	150		150
Noncurrent Liabilities			
Bonds Payable--Due Within One Year		14,000	14,000
Bonds Payable--Due in More Than One year		752,000	752,000
Total Liabilities	9,013	767,776	776,789
<u>NET ASSETS</u>			
Investment in Capital Assets, Net of Related Debt	101,562	1,005,198	1,106,760
Restricted for			
Major Street Fund	24,475		24,475
Local Street Fund	10,653		10,653
Housing Fund	76,759		76,759
Restricted Cash		53,500	53,500
Unrestricted	72,122	228,586	300,708
Total Net Assets	\$ 285,571	\$ 1,287,284	\$ 1,572,855

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BARRYTON--MECOSTA COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended February 28, 2005

EXHIBIT B

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 53,998	\$ 120			\$ (53,878)		\$ (53,878)
Public Safety	4,257				(4,257)		(4,257)
Public Works	21,597		\$ 32,249	\$ 14,000	24,652		24,652
Community and Economic Development	1,009				(1,009)		(1,009)
Recreation and Culture	2,834				(2,834)		(2,834)
Other	10,325				(10,325)		(10,325)
Total Governmental Activities	94,020	120	32,249	14,000	(47,651)	\$ -	(47,651)
Business-Type Activities							
Sewer	118,837	104,126				(14,711)	(14,711)
Water	18,743	18,711				(32)	(32)
Total Business-Type Activities	137,580	122,837	-	-	-	(14,743)	(14,743)
Total Primary Government	\$ 231,600	\$ 122,957	\$ 32,249	\$ 14,000	\$ (47,651)	\$ (14,743)	\$ (62,394)
General Revenues							
Property Taxes					\$ 44,412		\$ 44,412
State-Shared Revenues					36,568		36,568
Unrestricted Investment Earnings					9,777	\$ 6,272	16,049
Total General Revenues--Special Items and Transfers					90,757	6,272	97,029
Change in Net Assets					43,106	(8,471)	34,635
Net Assets--Beginning					242,465	1,295,755	1,538,220
Net Assets--Ending					\$ 285,571	\$ 1,287,284	\$ 1,572,855

The Notes to Financial Statements are an integral part of this statement

VILLAGE OF BARRYTON--MECOSTA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2005

EXHIBIT C

	SPECIAL REVENUE FUNDS				
	General	Major Street	Local Street	Housing	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 8,059	\$ 22,581	\$ 9,698		\$ 40,338
Investments	57,643			\$ 17,047	74,690
Receivables					-
Notes Receivable				59,712	59,712
Delinquent Taxes--Real	822				822
Due From State	11,364	3,468	1,747		16,579
Due From Other Funds	2,678				2,678
Inventory	9				9
Total Assets	<u>\$ 80,575</u>	<u>\$ 26,049</u>	<u>\$ 11,445</u>	<u>\$ 76,759</u>	<u>\$ 194,828</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities					
Accounts Payable	\$ 2,073	\$ 560			\$ 2,633
Due to Other Funds		1,014	\$ 792		1,806
Accrued Liabilities	6,230				6,230
Unearned Revenue	150				150
Deferred Revenue--Housing Loans				\$ 59,712	59,712
Total Liabilities	<u>8,453</u>	<u>1,574</u>	<u>792</u>	<u>59,712</u>	<u>70,531</u>
Fund Balances					
Unreserved--Undesignated	<u>72,122</u>	<u>24,475</u>	<u>10,653</u>	<u>17,047</u>	<u>124,297</u>
Total Fund Balance	<u>72,122</u>	<u>24,475</u>	<u>10,653</u>	<u>17,047</u>	<u>124,297</u>
Total Liabilities and Fund Balance	<u>\$ 80,575</u>	<u>\$ 26,049</u>	<u>\$ 11,445</u>	<u>\$ 76,759</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	101,562
Revenue that does not provide current financial resources are not reported as revenue in the funds.	<u>59,712</u>
Net Assets of Governmental Activities	<u>\$ 285,571</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BARRYTON--MECOSTA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended February 28, 2005

EXHIBIT D

	SPECIAL REVENUE FUNDS				Total Governmental Funds
	General	Major Street	Local Street	Housing	
Revenues					
Taxes and Penalties	\$ 44,412				\$ 44,412
Licenses and Permits	115				115
State Grants	38,184	\$ 20,370	\$ 9,963		68,517
Contributions From Local Units			14,000		14,000
Interest and Rentals	9,777	234	66		10,077
Other Revenue	4				4
Total Revenues	92,492	20,604	24,029	\$ -	137,125
Expenditures					
Current					
General Government	53,417				53,417
Public Safety	4,257				4,257
Public Works	7,855	5,853	38,678		52,386
Community and Economic Development	1,009				1,009
Recreation and Cultural	2,212				2,212
Other	10,325				10,325
Capital Outlay	6,282				6,282
Total Expenditures	85,357	5,853	38,678	-	129,888
Excess of Revenues Over (Under) Expenditures	7,135	14,751	(14,649)	-	7,237
Other Financing Sources (Uses)					
Interfund Transfers In			17,671		17,671
Interfund Transfers (Out)	(12,522)	(5,149)			(17,671)
Total Other Financing Sources (Uses)	(12,522)	(5,149)	17,671	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(5,387)	9,602	3,022	-	7,237
Fund Balance--March 1, 2004	77,509	14,873	7,631	17,047	117,060
Fund Balance--February 28, 2005	\$ 72,122	\$ 24,475	\$ 10,653	\$ 17,047	\$ 124,297
Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses					\$ 7,237
Amounts reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.					35,869
Change in Net Assets of Governmental Activities					\$ 43,106

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BARRYTON--MECOSTA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 28, 2005

EXHIBIT E

	Sewer	Solid Waste	Total
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 46,050	\$ 9,742	\$ 55,792
Investments	157,083		157,083
Accounts Receivable	14,232	4,060	18,292
Interest Receivable	67		67
Total Current Assets	217,432	13,802	231,234
Noncurrent Assets			
Restricted Cash	53,500		53,500
Net Property, Plant and Equipment	1,771,198		1,771,198
Total Noncurrent Assets	1,824,698	-	1,824,698
Total Assets	\$ 2,042,130	\$ 13,802	\$ 2,055,932
<u>LIABILITIES</u>			
Current Liabilities			
Account Payable	\$ 292	\$ 1,389	\$ 1,681
Accrued Liabilities	95		95
Due to Other Funds	640	232	872
Total Current Liabilities	1,027	1,621	2,648
Noncurrent Liabilities			
Bonds Payable--Due Within One Year	14,000		14,000
Bonds Payable--Due in More Than One Year	752,000		752,000
Total Noncurrent Liabilities	766,000	-	766,000
Total Liabilities	767,027	1,621	768,648
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	1,005,198		1,005,198
Reserved--Restricted Cash	53,500		53,500
Unreserved	216,405	12,181	228,586
Total Net Assets	\$ 1,275,103	\$ 12,181	\$ 1,287,284

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BARRYTON--MECOSTA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--PROPRIETARY FUNDS
For the Fiscal Year Ended February 28, 2005

EXHIBIT F

	Sewer	Solid Waste	Total
Operating Revenues			
Charges for Services	\$ 104,126	\$ 18,711	\$ 122,837
Total Operating Revenues	104,126	18,711	122,837
Operating Expenses			
Labor and Fringes	16,728	1,434	18,162
Office Supplies	2,105	474	2,579
Professional and Contracted Services	284	16,766	17,050
Operating Expenses	3,532		3,532
Legal Services		70	70
Utilities	1,579		1,579
Repair and Maintenance	7,823		7,823
Insurance	2,504		2,504
Depreciation	43,968		43,968
Total Operating Expenses	78,523	18,743	97,266
Operating Income (Loss)	25,603	(32)	25,571
Nonoperating Revenue (Expenses)			
Interest Expense	(40,314)		(40,314)
Interest Earnings	6,246	26	6,272
Total Nonoperating Revenue (Expenses)	(34,068)	26	(34,042)
Net Income (Loss)	(8,465)	(6)	(8,471)
Net Assets--March 1, 2004	82,845	12,187	95,032
Restatement to Net Assets	1,200,723		1,200,723
Restated Net Assets--March 1, 2004	1,283,568	12,187	1,295,755
Net Assets--February 28, 2005	\$ 1,275,103	\$ 12,181	\$ 1,287,284

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BARRYTON--MECOSTA COUNTY
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended February 28, 2005

EXHIBIT G

	Sewer	Solid Waste	Total
Cash Flows From Operating Activities			
Cash Received From Customers	\$ 104,255	\$ 18,909	\$ 123,164
Cash Payments to Employees for Services and Benefits	(16,721)	(1,434)	(18,155)
Cash Payments to Suppliers for Goods and Services	(17,930)	(17,310)	(35,240)
Net Cash Provided by Operating Activities	69,604	165	69,769
Cash Flows From Noncapital Financing Activities			
Due to Other Funds	(60)	(19)	(79)
Net Cash Provided by Capital and Related Financing Activities	(60)	(19)	(79)
Cash Flows From Capital and Related Financing Activities			
Reduction of Long-Term Debt	(41,000)		(41,000)
Interest Paid on Capital Financing	(40,314)		(40,314)
Net Cash Provided by Capital and Related Financing Activities	(81,314)	-	(81,314)
Cash Flows From Investing Activities			
Interest on Cash Equivalents	6,221	26	6,247
Sale of Investments	5,497		5,497
Net Cash Provided by Investing Activities	11,718	26	11,744
Net Increase (Decrease) in Cash and Cash Equivalents	(52)	172	120
Cash and Cash Equivalents at Beginning of Year	46,102	9,570	55,672
Cash and Cash Equivalents at End of Year	\$ 46,050	\$ 9,742	\$ 55,792
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 25,603	\$ (32)	\$ 25,571
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	43,968		43,968
(Increase) Decrease in Accounts Receivable	129	198	327
Increase (Decrease) in Accounts Payable	204	(1)	203
Increase (Decrease) in Accrued Liabilities	(300)		(300)
Net Cash Provided by Operating Activities	\$ 69,604	\$ 165	\$ 69,769

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BARRYTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--DESCRIPTION OF VILLAGE OPERATIONS AND FUND TYPES

The Village of Barryton, which covers an area of approximately .9 square miles, is located in Mecosta County. The village operates under a 6-member council elected by the citizens of the village and the president, all of whom reside in the community. The village provides services to its approximately 381 residents in many areas including highways and streets, operation and maintenance of the sewer system, solid waste disposal system, general administrative services, and community enrichment and development.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," certain other governmental organizations are not considered to be part of the village entity for financial reporting purposes. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the village.

RELATED ORGANIZATIONS

District Library--The Village of Barryton in conjunction with Fork Township and Chippewa Township entered into an agreement to create the Barryton Public Library. The district library is a legally separate organization established to provide library services to residents of the county. The voters have approved a special millage to fund the district library.

The district library consists of the entire geographic area of the Village of Barryton, Fork Township, and Chippewa Township along with 25% of Martiny Township and 33.34% of Sheridan Township. It is governed by a six (6) member board, two (2) appointed by each the Village of Barryton, Fork Township, and Chippewa Township. The village's and townships' accountability does not extend beyond this representation and making these appointments. The board is empowered to propose and levy upon approval of the electors a tax for support of the district library. It may also borrow money and issue bonds pursuant to the District Library Financing Act 265 of 1988 (MCL 397.281 et seq.). The district library indemnifies and holds harmless the participating municipalities from all claims and liabilities. Fork Township, which includes the Village of Barryton, and Chippewa Township levy a tax for the district library. However, neither the village nor the townships hold title to any of the district library's assets, nor do they have the rights to any surpluses, or have the responsibility to finance any deficits of the district library.

VILLAGE OF BARRYTON

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF BARRYTON

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the village.

The village reports the following major governmental funds:

The General Fund is the village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of State gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of State gas and weight tax revenues that are restricted for use on local streets.

The Housing Fund accounts for contributions reserved for the improvement of housing within the village.

The village reports the following major proprietary funds:

Sewer Fund accounts for the sewer operations of the village.

Solid Waste Fund accounts for the water operations of the village.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The village has elected to consistently apply all applicable FASB pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

VILLAGE OF BARRYTON

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations (sewer and solid waste). Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the village's policy to use restricted resources first, then unrestricted resources as they are needed.

Bank Deposits and Investment

For the purpose of the statement of cash flows, demand deposits and short-term investments with maturity of three months or less, when acquired, are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments for the government are reported at fair value.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property Taxes

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15 with the final collection date of February 28 before they are added to the county tax delinquent rolls.

The 2004 State taxable valuation of the Village of Barryton amounted to \$5,215,737 on which ad valorem taxes levied for all village purposes are \$43,551. The entire 8.35 mills authorized and levied are for general operations.

VILLAGE OF BARRYTON

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes Receivable--Delinquent

The taxes receivable delinquent in the General Fund consist of uncollected real property taxes levied July 1, 2004, which have not been collected at February 28, 2005. The delinquent property taxes for the General Fund is \$822.

Accounts Receivable

The accounts receivable for the village are recorded in the Water and Solid Funds. The receivables in Sewer and Solid Waste Funds are for the sewer and garbage services provided by the village. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivable for the Sewer Fund is \$14,232 and the receivable for the Solid Waste Fund is \$4,060. The receivables are not offset by deferred revenue.

Restricted Assets

The provisions of sewer bond resolutions require that certain resources be set aside for the repayment of the bond debt. This repayment is classified as restricted assets on the balance sheet because it is maintained in a separate bank account and its use is limited by applicable bond covenants. The balance restricted for the bond reserve at February 28, 2005 is \$53,500.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. As permitted by GASB Statement No. 34, the village has reported the infrastructure in the Statement of Net Assets for the major and local streets.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	Governmental Funds	Enterprise Funds
Buildings	20 to 40 years	
Vehicles	5 to 10 years	
Equipment	5 to 10 years	
Infrastructure--Roads	20 years	
Sewer System		50 years

VILLAGE OF BARRYTON
NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue represents amounts that have met asset recognition criteria, but have not met revenue recognition criteria, such as taxes receivable. The taxes receivable are not collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Under the modified accrual basis of accounting, such amounts are measurable but not available.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported as net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE C--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The annual budget is prepared by the village clerk and adopted by the village council at an open meeting of the board. The village council approves all subsequent amendments to the budget. The General Fund and Special Revenue Funds are under formal budgetary control. The budget has been prepared on the modified accrual basis, which is in accordance with generally accepted accounting principles. The budget has been adopted on a functional basis. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. Unexpended appropriations lapse at year-end.

VILLAGE OF BARRYTON
NOTES TO FINANCIAL STATEMENTS

NOTE C--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Legal Non-Compliance

1. The village did not hold a public hearing prior to adopting the budget for the fiscal years starting in 2004 and 2005 as required by Public Act 2 of 1968, as amended (MCL 141.413).
2. The village did not adopt a resolution to authorize an electronic transactions policy as required by Public Act 738 of 2002 (MCL 124.303).

NOTE D--BALANCE SHEET CASH AND INVESTMENTS

Michigan Compiled Laws (MCL 129.91), authorizes the local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities, and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. Deposits of the village are at one bank in the name of the village. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in the instruments described in the preceding paragraphs. The village's deposits are in accordance with statutory authority.

The risk disclosures for the village's deposits at February 28, 2005 as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are as follows:

	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 40,338	\$ 55,792	\$ 96,130
Investments	74,690	157,083	231,773
Restricted Assets		53,500	53,500
Total	<u>\$115,028</u>	<u>\$266,375</u>	<u>\$381,403</u>

As required by the provisions of sewer bond resolutions, the required reserve has been established. The balance restricted for this purpose at February 28, 2005 is the \$53,500 listed above.

VILLAGE OF BARRYTON
NOTES TO FINANCIAL STATEMENTS

NOTE D--BALANCE SHEET CASH AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 95,830
Investments	285,273
Petty Cash and Cash on Hand	<u>300</u>
Total	<u><u>\$ 381,403</u></u>

The bank balance of the primary government's deposits is \$382,318, of which \$100,000 is covered by Federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the government's investment balances were categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Operating Fund					
Risk-Categorized					
Long-Term Certificates of Deposits		\$181,402		\$ 181,402	\$ 181,402
Nonrisk-Categorized					
Isabella Bank and Trust Money Market Funds				<u>103,871</u>	<u>103,871</u>
Total Investments				<u><u>\$ 285,273</u></u>	<u><u>\$ 285,273</u></u>

VILLAGE OF BARRYTON
NOTES TO FINANCIAL STATEMENTS

NOTE E--NOTES RECEIVABLE

The notes receivable recorded in the village's Housing Fund are made up of the following:

Deferred Notes	<u>\$59,712</u>
Total Notes Receivable	<u>\$59,712</u>

The receivables are long-term and are offset by deferred revenue.

NOTE F--CAPITAL ASSETS

Capital asset activity of the village's governmental funds for the current year was as follows:

<u>Governmental Activities</u>	<u>Account Balances 03/01/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Account Balances 02/28/05</u>
Capital Assets Not Being Depreciated				
Land and Improvements	<u>\$ 46,100</u>	<u> </u>	<u> </u>	<u>\$ 46,100</u>
Subtotal	<u>46,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>46,100</u>
Capital Assets Being Depreciated				
Buildings	18,537			18,537
Equipment	65,864	6,282		72,146
Office Equipment	7,782			7,782
Infrastructure--Roads	<u> </u>	<u>32,371</u>	<u> </u>	<u>32,371</u>
Total	<u>92,183</u>	<u>38,653</u>	<u>-</u>	<u>130,836</u>
Less Accumulated Depreciation				
Buildings	3,011	465		3,476
Equipment	62,079	2,202		64,281
Office Equipment	<u>7,500</u>	<u>117</u>	<u> </u>	<u>7,617</u>
Total	<u>72,590</u>	<u>2,784</u>	<u>-</u>	<u>75,374</u>
Net Capital Assets Being Depreciated	<u>19,593</u>	<u>38,653</u>	<u>2,784</u>	<u>55,462</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 65,693</u>	<u>\$ 38,653</u>	<u>\$ 2,784</u>	<u>\$101,562</u>

VILLAGE OF BARRYTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Capital asset activity of the village's enterprise funds for the current year was as follows:

<u>Business-Type Activities</u>	<u>Account Balances 03/01/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Account Balances 02/28/05</u>
Capital Assets Not Being Depreciated				
Land	\$ 80,000			\$ 80,000
Subtotal	80,000	\$ -	\$ -	80,000
Capital Assets Being Depreciated				
Equipment	35,427			35,427
Sewer System	2,157,770			2,157,770
Total	2,193,197	-	-	2,193,197
Less Accumulated Depreciation				
Equipment	4,903	813		5,716
Sewer System	453,128	43,155		496,283
Total	458,031	43,968	-	501,999
Net Capital Assets Being Depreciated	1,735,166	-	43,968	1,691,198
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$1,815,166</u>	<u>\$ -</u>	<u>\$ 43,968</u>	<u>\$1,771,198</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 581
Public Works	1,581
Recreational and Cultural	622
Total Governmental Activities	<u>\$ 2,784</u>
Business-Type Activities	
Sewer	<u>\$43,968</u>
Total Business-Type Activities	<u>\$43,968</u>

VILLAGE OF BARRYTON
NOTES TO FINANCIAL STATEMENTS

NOTE G--INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The amounts of the interfund receivables and payables for the village are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>\$2,678</u>	Major Street	\$ 1,014
		Local Street	792
		Sewer	640
		Solid Waste	<u>232</u>
Total	<u><u>\$2,678</u></u>		<u><u>\$ 2,678</u></u>

The 2005 operating transfers can be summarized as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$ 12,522
Major Street Fund		5,149
Local Street Fund	<u>\$ 17,671</u>	<u> </u>
Totals	<u><u>\$ 17,671</u></u>	<u><u>\$ 17,671</u></u>

NOTE H--LONG-TERM DEBT

The Sewer Fund's long-term debt of the village and the changes therein may be summarized as follows:

	<u>Balance 03/01/04</u>	<u>Additions (Reductions)</u>	<u>Balance 02/28/05</u>	<u>Due Within One Year</u>
Revenue Bonds--1992	\$779,000	\$(13,000)	\$766,000	\$ 14,000
Revenue Bonds--1993	<u>28,000</u>	<u>(28,000)</u>	<u>-</u>	<u> </u>
Totals	<u><u>\$807,000</u></u>	<u><u>\$(41,000)</u></u>	<u><u>\$766,000</u></u>	<u><u>\$ 14,000</u></u>

VILLAGE OF BARRYTON
NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Sewer Disposal System Revenue Bonds--1992

The Sewer Disposal System Revenue Bond was issued January 22, 1992 in the amount of \$882,000 at an interest rate of 5%. Interest payments are due on February 1 and August 1 of each year through 2032. Principal payments are due on February 1 each year maturing in 2032. The annual principal and interest requirements are as follows:

Year Ending February 28	Revenue Bonds--1992 Principal--February 1	Interest		Annual Total
		February 1	August 1	
2005	\$ 14,000	\$ 19,150	\$ 19,150	\$ 52,300
2006	15,000	18,800	18,800	52,600
2007	15,000	18,425	18,425	51,850
2008	16,000	18,050	18,050	52,100
2009	17,000	17,650	17,650	52,300
2010-2014	99,000	47,850	47,850	194,700
2015-2019	126,000	67,750	67,750	261,500
2020-2024	161,000	50,325	50,325	261,650
2025-2029	205,000	28,125	28,125	261,250
2030-2031	98,000	3,700	3,700	105,400
Total	<u>\$766,000</u>	<u>\$289,825</u>	<u>\$289,825</u>	<u>\$ 1,345,650</u>

NOTE I--RISK MANAGEMENT

The village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, and natural disasters. The village participates in the Michigan Township Participating Plan (Plan). The plan covers general liability, non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. The village has commercial insurance for workers' compensation. Settled claims for the insurance policies have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Plan was created pursuant to the authority of: a) Article 7, section 28, Michigan Constitution of 1963; b) Section 1, Chapter 124, Michigan Compiled Laws (PA 35 of 1951, as amended by PA 138 of 1982). The Plan operates as an insurance purchasing pool for local units of government in Michigan and purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

VILLAGE OF BARRYTON
NOTES TO FINANCIAL STATEMENTS

NOTE J--SEGMENT INFORMATION

The village maintains two enterprise funds that provide sewer and solid waste services. Segment information for the year ended February 28, 2005, was as follows:

<u>Condensed Statement of Net Assets</u>			
		<u>Sewer</u>	<u>Solid Waste</u>
Assets			
Current Assets		\$ 216,792	\$13,570
Restricted Assets		53,500	
Capital Assets		<u>1,771,198</u>	<u> </u>
Total Assets		<u>2,041,490</u>	<u>13,570</u>
Liabilities			
Current Liabilities		387	1,389
Due to Other Funds		640	232
Current Liabilities Payable From Restricted Assets		14,000	
Noncurrent Liabilities		<u>752,000</u>	<u> </u>
Total Liabilities		<u>767,027</u>	<u>1,621</u>
Net Assets			
Invested in Capital Assets		1,005,198	
Restricted		53,500	
Unrestricted		<u>216,405</u>	<u>12,181</u>
Total Net Assets		<u><u>\$1,275,103</u></u>	<u><u>\$12,181</u></u>

VILLAGE OF BARRYTON
NOTES TO FINANCIAL STATEMENTS

NOTE J--SEGMENT INFORMATION (Continued)

<u>Condensed Statement of Revenue, Expenses, and Changes in Net Assets</u>	<u>Sewer</u>	<u>Solid Waste</u>
Charges for Services	\$ 104,126	\$18,711
Depreciation Expense	(43,968)	
Other Operating Expenses	(34,555)	(18,743)
Operating Income	25,603	(32)
Nonoperating Revenue (Expense)		
Investment Earnings	6,246	26
Interest Expense	(40,314)	
Changes in Net Assets	(8,465)	(6)
Beginning Net Assets	1,283,568	12,187
Ending Net Assets	<u>\$1,275,103</u>	<u>\$12,181</u>
<u>Condensed Statement of Cash Flows</u>	<u>Sewer</u>	<u>Solid Waste</u>
Net Cash Provided by (Used in)		
Operating Activities	\$ 69,604	\$ 165
Noncapital Financing Activities	(60)	(19)
Capital and Related Financing Activities	(81,314)	
Investing Activities	11,718	26
Net Increase (Decrease)	(52)	172
Beginning Cash and Cash Equivalents	46,102	9,570
Ending Cash and Cash Equivalents	<u>\$46,050</u>	<u>\$9,742</u>

VILLAGE OF BARRYTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--CHANGE IN ACCOUNTING PRINCIPLE

Effective March 1, 2004, the Village of Barryton implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the accrual basis of accounting.

Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating contributed capital accounts and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations, and conditions that could have a significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement No. 34.

NOTE L--RESTATEMENT OF RETAINED EARNINGS TO NET ASSETS

In the past, contributed capital was recorded for capital grants or contributions from State and Federal sources. With the inception of the Governmental Accounting Standards Board (GASB), Statement No. 34, contributed capital is not recognized and does not follow the accounting principles established by the statement. A restatement of retained earnings was necessary to remove the contributed capital accounts and recognize them as net assets. Listed below is the effect of the net assets at March 1, 2004:

Retained Earnings as of February 28, 2004	\$ 82,845
Contributed Capital as of February 28, 2004	<u>1,200,723</u>
Restated Net Assets as of February 28, 2004	<u><u>\$ 1,283,568</u></u>

VILLAGE OF BARRYTON--MECOSTA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended February 28, 2005

EXHIBIT H

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and Penalties	\$ 40,501	\$ 40,501	\$ 44,412	\$ 3,911
Licenses and Permits	100	100	115	15
State Grants	34,100	34,100	38,184	4,084
Interest and Rentals	10,400	10,400	9,777	(623)
Other Revenue	-	-	4	4
Total Revenues	85,101	85,101	92,492	7,391
Expenditures				
Current				
General Government	66,948	69,233	53,417	15,816
Public Safety	-	5,487	4,257	1,230
Public Works	11,863	11,863	7,855	4,008
Community and Economic Development	1,347	1,512	1,009	503
Recreation and Cultural	9,615	9,615	2,212	7,403
Other	11,200	10,850	10,325	525
Capital Outlay	15,000	10,678	6,282	4,396
Total Expenditures	115,973	119,238	85,357	33,881
Excess of Revenues Over (Under) Expenditures	(30,872)	(34,137)	7,135	41,272
Other Financing Sources (Uses)				
Interfund Transfers (Out)	(16,435)	(13,170)	(12,522)	648
Total Other Financing Sources (Uses)	(16,435)	(13,170)	(12,522)	648
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(47,307)	(47,307)	(5,387)	41,920
Fund Balance--March 1, 2004	47,307	47,307	77,509	30,202
Fund Balance--February 28, 2005	\$ -	\$ -	\$ 72,122	\$ 72,122

**VILLAGE OF BARRYTON--MECOSTA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET--MAJOR SPECIAL REVENUE FUND
For the Year Ended February 28, 2005**

EXHIBIT I

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State Grants	\$ 18,100	\$ 18,100	\$ 20,370	\$ 2,270
Interest and Rentals	200	200	234	34
Total Revenues	<u>18,300</u>	<u>18,300</u>	<u>20,604</u>	<u>2,304</u>
Expenditures				
Public Works				
Preservation--Streets	6,653	6,653	3,521	3,132
Traffic	800	800	270	530
Winter Maintenance	3,050	3,050	1,540	1,510
Engineering and Recordkeeping	532	532	522	10
Total Expenditures	<u>11,035</u>	<u>11,035</u>	<u>5,853</u>	<u>5,182</u>
Excess of Revenues Over (Under) Expenditures	<u>7,265</u>	<u>7,265</u>	<u>14,751</u>	<u>7,486</u>
Other Financing Sources (Uses)				
Interfund Transfers (Out)	<u>(4,500)</u>	<u>(5,149)</u>	<u>(5,149)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(4,500)</u>	<u>(5,149)</u>	<u>(5,149)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>2,765</u>	<u>2,116</u>	<u>9,602</u>	<u>7,486</u>
Fund Balance--March 1, 2004	<u>-</u>	<u>-</u>	<u>14,873</u>	<u>14,873</u>
Fund Balance--February 28, 2005	<u>\$ 2,765</u>	<u>\$ 2,116</u>	<u>\$ 24,475</u>	<u>\$ 22,359</u>

VILLAGE OF BARRYTON--MECOSTA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET--MAJOR SPECIAL REVENUE FUND
For the Year Ended February 28, 2005

EXHIBIT J

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State Grants	\$ 8,450	\$ 8,450	\$ 9,963	\$ 1,513
Contributions From Local Units		14,000	14,000	-
Interest and Rentals	100	100	66	(34)
Total Revenues	8,550	22,550	24,029	1,479
Expenditures				
Public Works				
Construction	18,000	34,522	32,371	2,151
Preservation--Streets	10,610	10,610	5,847	4,763
Traffic	300	300	51	249
Winter Maintenance	350	350	98	252
Engineering and Recordkeeping	316	316	311	5
Total Expenditures	29,576	46,098	38,678	7,420
Excess of Revenues Over (Under) Expenditures	(21,026)	(23,548)	(14,649)	8,899
Other Financing Sources (Uses)				
Interfund Transfers In	14,500	17,671	17,671	-
Total Other Financing Sources (Uses)	14,500	17,671	17,671	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(6,526)	(5,877)	3,022	8,899
Fund Balance--March 1, 2004	6,526	5,877	7,631	1,754
Fund Balance--February 28, 2005	\$ -	\$ -	\$ 10,653	\$ 10,653

**VILLAGE OF BARRYTON--MECOSTA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
HOUSING--MAJOR SPECIAL REVENUE FUND
For the Year Ended February 28, 2005**

EXHIBIT K

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Total Revenues	\$ -	\$ -	\$ -	\$ -
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance--March 1, 2004	17,047	17,047	17,047	-
Fund Balance--February 28, 2005	<u>\$ 17,047</u>	<u>\$ 17,047</u>	<u>\$ 17,047</u>	<u>\$ -</u>

VILLAGE OF BARRYTON--MECOSTA COUNTY
STATEMENT OF REVENUES--BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended February 28, 2005

EXHIBIT L

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Taxes and Penalties				
Property Taxes	\$ 40,100	\$ 40,100	\$ 43,982	\$ 3,882
Administration Fees	401	401	430	29
Total Taxes and Penalties	40,501	40,501	44,412	3,911
Licenses and Permits				
Zoning Permits	100	100	115	15
Total Licenses and Permits	100	100	115	15
State Grants				
Revenue Sharing	34,100	34,100	36,568	2,468
Metro Act			1,616	1,616
Total State Grants	34,100	34,100	38,184	4,084
Interest and Rents				
Interest	790	790	1,186	396
Rentals	9,610	9,610	8,591	(1,019)
Total Interest and Rents	10,400	10,400	9,777	(623)
Other Revenues				
Miscellaneous	-	-	4	4
Total Other Revenues	-	-	4	4
Total Revenue	\$ 85,101	\$ 85,101	\$ 92,492	\$ 7,391

VILLAGE OF BARRYTON--MECOSTA COUNTY
STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended February 28, 2005

EXHIBIT M

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
General Government				
Village Council	\$ 12,100	\$ 12,200	\$ 10,120	\$ 2,080
President	2,255	2,251	2,072	179
Elections	540	540	459	81
Clerk	5,890	5,925	4,875	1,050
Treasurer	5,410	5,410	4,718	692
Building and Grounds	36,053	36,207	25,505	10,702
Equipment Repair and Maintenance	4,700	6,700	5,668	1,032
Total General Government	66,948	69,233	53,417	15,816
Public Safety				
Ordinance Enforcement	-	5,487	4,257	1,230
Total Public Safety	-	5,487	4,257	1,230
Public Works				
Sidewalk Repairs	1,500	1,500	3	1,497
Highway, Streets, Bridges (Not Act 51)	1,863	1,863	75	1,788
Street Lighting	8,500	8,500	7,777	723
Total Public Works	11,863	11,863	7,855	4,008
Community and Economic Development				
Planning and Zoning	1,347	1,512	1,009	503
Total Community and Economic Development	1,347	1,512	1,009	503
Recreational and Cultural				
Park Maintenance	9,615	9,615	2,212	7,403
Total Recreational and Cultural	9,615	9,615	2,212	7,403
Other				
Community Promotion	1,200	1,200	876	324
Insurance and Bonds	10,000	9,650	9,449	201
Total Other	11,200	10,850	10,325	525
Capital Outlay	15,000	10,678	6,282	4,396
Total Capital Outlay	15,000	10,678	6,282	4,396
Total Expenditures	115,973	119,238	85,357	33,881
Other Financing Uses				
Interfund Transfers (Out)	16,435	13,170	12,522	648
Total Other Financing Uses	16,435	13,170	12,522	648
Total Expenditures and Other Financing Uses	\$ 132,408	\$ 132,408	\$ 97,879	\$ 34,529



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

June 8, 2005

Village Council
Village of Barryton
94 Angel Street
P.O. Box 31
Barryton, Michigan 49305-0031

RE: Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the Village of Barryton, Mecosta County, Michigan, as of and for the year ended February 28, 2005, and have issued our report thereon dated June 8, 2005.

The township adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of March 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether the Village of Barryton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered the Village of Barryton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not

to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, the board of commissioners, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division